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ABSTRACT

This paper makes a comparative analysis of main trends that have emerged or are about to emerge in the banking sector, stressing factors that influence employment, qualifications, and staff training in banking as well as policies implemented by banking institutions to meet such challenges. Chapter 1 analyzes the change drivers--key factors that force banks to rethink their overall business strategy, organization and work processes, marketing approaches, and staff qualification requirements. Chapter 2 summarizes the different institutional, social, and cultural contexts in which banks are situated and looks at their responses to adapt their strategies and organization to the new challenges, taking into account their national contexts. Chapter 3 focuses on the new employment trends and on the way most banks are attempting to decrease their staff and to reconcile economic and social constraints. Chapter 4 synthesizes the changes that affect work contents and training requirements. It discusses the trends toward upskilling and more customer-oriented jobs and attitudes. Chapter 5 analyzes the relationship between these new requirements and changing employment conditions, recruitment, and career practices. Chapter 6 deals with initial and continuing training as major factors of adjustment. Chapter 7 draws three types of conclusions that concern banks' strategies, employment and human resources policies at the European and national levels, and academic research. Contains a 26-item bibliography. (YLB)

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From administrative to customer-oriented banking

Re-designing strategy, organization, qualifications and training in European banks

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From administrative to customer-oriented banking

Re-designing strategy, organization, qualifications and training in European banks

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FROM ADMINISTRATIVE TO CUSTOMER-ORIENTED BANKING

Re-designing strategy, organization, qualifications and training in European banks

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INTRODUCTION

During the last two decades, the financial sector and especially the banking business in European countries have been particularly affected by changes in the institutional context, increased competition and internationalization, as well as technological innovations. These changes had an impact on the structure of the firms (including a number of mergers), on their products and markets, but also on work organization, qualifications, human resources management and the role of training.

The main purpose of this paper is to analyze, from a comparative point of view, the changes that have occurred in the recent past and are likely to occur in the near future in the banking sector. Emphasis will be put on those factors of change that have an impact on employment, skills and training of people working in this sector. More in particular, attention will be given to policies that banking firms are developing for coping with the new qualification requirements.

Several studies have already dealt with some of these developments, especially in the late 80s. But they have been largely restricted to the large countries, such as France, Germany and the United Kingdom. This study has therefore particularly attempted to add two dimensions to the existing knowledge of the subject :

- by updating the information available, in order to take into account recent economic developments and to consider the possible implications of the European Single Market on human resources aspects in the financial sector in EEC countries ;

- by broadening the scope of the analysis, in paying more attention to those countries which are not included in the previous studies.

Based on a review of existing literature and on interviews of managers from financial firms in various EEC countries, this study has limited ambitions in terms of the amount of information collected and of the degree of detail of the investigations. By comparison with earlier research, it is more an issue and policy-oriented paper. It attempts to give a broad outlook of a number of inter-related issues, such as :

- employment developments and prospects : what is the magnitude and what are the effects of the present decrease, in a sector which used to create large numbers of qualified jobs ?

- adjustment of the workforce to the new requirements : to what extent is it possible and under which conditions ?

_ training : what are the roles of initial and continuing training in this adjustement process ? Is there a need to develop specific banking training ? Is it possible at the European level?

Even without undertaking a research of an academic type, the

discussion of these issues leads almost necessarily to touch upon two more general questions which are often discussed in research work, but may also have implications for policy. The first one concerns the process of change : how and at what speed is it spreading ? Are the findings of the last decade still valid ? To what extent do they apply equally to all countries, all firms and all their activities ?

In relation to this, the second question which is often discussed by comparative research is the relative weight of international trends and constraints on the one hand and of specific national contexts on the other. Is it appropriate to refer to stages of development and to consider that some countries and some firms are more "advanced" than others ? Is there a convergence between EEC countries with regard to the way they tackle the new human resources problems, or are the differences stable, or even reinforced by divergent strategies ? Is there a necessary repetition of the developments observed in the "Northern" European countries in the "Southern" countries ? Are the measures taken at the European level a factor of convergence ?

The first chapter is an analysis of the change drivers. It discusses the key factors that force banks to rethink their overall business strategy, their organization and work processes, their marketing approaches and their staff qualification requirements.

Faced with these challenges which are common to all European coutries, banks are situated in different institutional, social and cultural contexts. Chapter 2 contains a summary of these differences and looks at the variety of responses by banks to adapt their strategies and their organisation to the new challenges, taking into account their national contexts.

Chapter 3 is focussed on the new employment trends and on the way most banks are attempting to decrease their staff and to reconcile as far as possible economic and social constraints. Can it be done through mobility or does it require incentives or lay offs ?

Chapter 4 contains a synthesis of the changes which affect work contents and training requirements, mostly on the basis of earlier research findings. It discusses praticularly the trends towards upskilling and more customer-oriented jobs and attitudes.

Chapter 5 analyzes the relationship between these new requirements on the one hand and changing employment conditions, recruitment and career practices on the other.

Chapter 6 deals more particularly with initial and continuing training as major factors of adjustment.

The concluding chapter summarizes the findings of the study and brings out some of the issues with which firms and policy makers at the European and national levels are faced.

1. CHANGE DRIVERS IN EUROPEAN BANKING

References to the process of change in banking as well as in other sectors are usually focussed on the widespread use of new information technologies. It should be underlined however that the process is more complex, as it involves an interrelationship between economic, institutional and organizational as well as technological factors :

a) In banking as in other sectors, there is an increasing pressure of **competition**, which implies a better service and new products. It is closely related to :

- internationalization, which tends to open competition to foreign banks, in a direct or indirect way, at least for some operations ;

- desintermediation, whereby large enterprises realized that they could undertake various financial operations without requiring banks' services ;

- changing attitudes of customers, who are more demanding and more ready to shift to another bank offering a better service. There is now the pressure of consumers' organizations (which has led to the creation of an "Ombudsman" job in Danish banks for instance) and new problems of ethics are now emerging.

b) Increasing competition is also related to **institutional factors**, such as :

- de-regulation, which has abolished a number of barriers and restrictions which used to limit the scope of competition. The dividing line between various types of banks and of banking operations is in most cases abolished in institutional terms. De-regulation also contributed to initiate more competition between banks and other sectors (insurance, retailing) on some products;

- privatization of the public financial sector in several countries ;

- European directives aiming at an harmonization between country regulations, in order to advance towards a European market in the banking area. "The directives will facilitate, together with the internationalization of capital, the transformation of the European financial system from a set of self contained sectors, based on national markets, to an integrated financial system" (Gentle, 1993).

c) The banking sector has been one of the most affected by the various applications of **information technologies**, especially the development of networks, of micro-computers, of data banks and of tele-communication. Most of their investment is allocated to

these technologies and it was still growing in the early nineties. Information technologies have been used for an increasing variety of purposes :

- automatic processing of operations, which increased productivity and allowed for a considerable expansion of the business in the seventies and the early eighties ;

- direct communication between computers (Electronic data interchange) for all kinds of transactions, within a country and abroad, which contributed to internationalization ;

- management and cost control, which became more widespread when profitability was threatened by competition ;

- development of more diversified and more sophisticated financial products, adapted to a changing market ;

- new services to customers, such as cash dispensers, automatic teller machines (ATMs), home banking or telebanking, smart cards and plastic purses and so on ;

d) Changes in the **structure** of the sector and of enterprises and in **work organization** will be reviewed below.

These trends are well-known : they were already identified in the mid - eighties (e.g. Bertrand, Noyelle, 1987 and 1988) and are also analyzed by ILO (1993). There is no need to further elaborate, except for the following remarks.

The close inter-relationship between the various aspects of change should again be underlined : e.g. precisely at the time when the pressure of competition was increasingly felt, technological developments provided the opportunities to expand the range and the sophistication of products, the quality of services and the flexibility of organizations. Organizational changes were the result of the economic pressure, but became possible only because the new technology was available, with a variety of solutions. Therefore, the process of change has to be seen as a whole.

There is a time-lag lag between the introduction of an innovation and the moment when its full effect is felt. This is related to the inertia which is inherent in any large-scale and ancient organization (and to a lesser extent in smaller and more recent firms). An innovation can be effective only to the extent that the organization has been revised accordingly and the people trained and prepared.

Since these conditions are far from being completely fulfilled, there is a gap between the potential of technology and its actual utilisation. A Spanish bank for instance estimates that only 20 % of the systems possibilities are used, which necessitates an in-depth training. These factors are not always taken sufficiently into account, so that anticipations concerning the process of change are sometimes ahead of actual developments.

Generally speaking, the impact of some of the innovations identified in the mid-eighties was felt only in the early nineties, when the pressure of competition became very strong and when the conditions were fulfilled.

In two very different contexts : Germany and Greece, doubts were expressed during the interviews about the profitability of the huge investments required by computerization. Some German bankers talk of unrealized expectations of former technological investments and feel the need to put more emphasis in the future on rationalization. Since Greek banks are behind their competitors in Europe, they have invested heavily in technology, but some observers wonder whether they will be able to amortize the cost.

These reservations about the impact of new information technologies confirm the need for a more balanced view of their role in the process of change, in close relation with the others. Among them, competition seems to be of paramount importance and it seems to favour large firms, which are expected to dominate the European financial market as a consequence of the convergence of financial systems (Gentle, 1993).

2. A DIVERSITY OF NATIONAL CONTEXTS AND OF FIRMS' STRATEGIES

The factors of change analyzed above generally apply to all European countries, but each country is in a different institutional, social and cultural context. Taking into account these factors and the constraints which they represent on the one hand and their national context on the other, banks define their own strategies for marketing, organization and human resources. The combination of these common and differentiated elements is reviewed below.

2.1 Different national contexts

Differences between national contexts include : the institutional framework and the organization of the financial sector, the national culture, which may affect customers and workers' attitudes and the national patterns of management and employment, which are themselves related to national systems of social relations and of training. The latter points will be discussed further in specific chapters, the former will be briefly reviewed here.

In a recent paper concerning the institutional framework and the organization of financial services in Britain, Germany and France, Quack and O'Reilly (1993) underline the differences between these countries and challenge the concept of a convergence resulting from competition and deregulation. They particularly refer to the following points :

- retail banking would be less affected by internationalization than corporate banking and would keep a national character ;

- the role of banks in the economy is traditionally different in the three countries ;

- if the three countries tend towards a saturation of personal accounts (99% of adults in France, 96% in Germany, 80% in the UK), the structure of cashless payments varies widely between them (more automatic transfers and direct debiting in Germany);

- the degree of State intervention is not the same and "Governements and regulatory bodies play a significant role in determining the rules of the game" ;

- the respective role of different types of banks : universal banks, cooperative and saving banks, building societies (in UK) is different.

These points do not have the same consequences for employment and qualifications. The implications of the overall institutional context and of the organisation of financial markets are indirect and rather limited. The structure of payments has more immediate

consequences, as it implies various degrees of automation and volumes of repetitive tasks.

During the survey, several references were made to the importance of cultural factors and of people's attitudes, seen either from the point of view of employees or of customers. It is always difficult to reach an objective assessment of these elements, which imply a lot of personal opinions and of value judgments. In their comparative study of human resources management, D. Annandale and H. Bertrand (1989) have however supported with a number of figures their typology opposing a Northern and a Southern pattern of human resources management, which will be further discussed below.

This survey found the example of a foreign bank trying to develop its activities in Spain, which was concerned with what it considered as a particularly strong resistance to change of Spanish employees, whether concerning mobility, work organization or wage policies. They considered that it constituted an obstacle to the modernization of banking and to their attempts to implement a more aggressive policy. They were inclined to create an entirely new bank with a young staff rather than taking over an existing firm with its own traditions and culture.

There were also comments on workers' and consumers' attitudes, for example with regard to women's and part-time employment, or concerning the case of Greek customers lining up at the counter rather than using new ATMs. But these attitudes (as well as those of employees) may well change over time. A number of German bankers were reluctant at the beginning to use ATMs on a large scale, because they felt that customers would prefer a personal contact with employees. This fear is gone and ATMs are now widespread. German bankers are becoming more cost-conscious and customers do not stick with all their needs to one particular bank : they go shopping. Banks realise that it is not necessary to have the client in the bank to do business : there are other ways to stay in contact.

Similar evolutions take place in other countries and even in Greece where resistance to change is considered to be a common attitude, ATMs begin to spread rapidly (a bank reports a 20 % increase of operations every month). This example suggests that different cultures and behaviours may entail a time-lag between the evolution of different countries, but shoud not be overestimated since they may change in the long-run.

A point which would deserve more discussion is the relative importance of public companies in the financial sector and their possibly specific management style. In Greece, State-controlled banks have a very substantial share of the market and a limited autonomy. It probably has an incidence on their management style, which is still administration-oriented.

Portugal is an interesting example. A major element of change since 1985-86 has been the process of privatization of banks, which were all State-owned after 1974. Some of the Portuguese

bankers consider that the management style of the firms which are still public is definitely different from that of the private ones. According to others, the process of privatization, together with the competitive pressure brought about by the arrival of foreign banks has affected, directly or indirectly all banks, whether they are public or private. For others, the significant difference is not between public and private firms, but between the old ones, which keep some of the earlier traditions, and the new ones, which start with a new value and a new culture.

Passing reference should also be made to the well-known differences in the social context. Labour relations are based on a legal framework, on roles and behaviour which vary considerably between European countries, as well as the relative strength of trade unions (Annandale-Massa and Rehfeldt, 1990). A number of managers interviewed in Greece and Spain have a negative view of the unions, while on the contrary there is a lot of dialogue and cooperation with management in Denmark for instance.

A very significant difference which should be underlined is not between countries, but between types of banks. Investment and corporate banks operate increasignly on international markets and compete with each other. Their products, their marketing and their organization had to evolve quickly to face competition, using widely the resources of information and communication technologies. Their transformation is therefore more spectacular, but they employ a comparatively small staff, so that the social and training implications of these transformations have a limited impact.

On the contrary, retail banks remain up to now near to the local customers and try to adapt to their needs and to their culture. If competition has increased between them, it is not much at the international level. Their organization and strategies may therefore remain more specific. They are the ones which deal with mass operations and which employ the large numbers of workers ; therefore they are more important from the point of view of this study.

This leads us to consider the diversity of situations, not only between countries, but also between firms, particularly from the point of view of their marketing strategies and organisational approaches.

2.2 **Strategies and organizational approaches**

Strategies and types of organization adopted by individual banks in Europe reflect at the same time these common pressures and opportunities on the one hand and the diversity of national contexts and traditions on the other hand.

A common feature of these strategies is that they are more customer-oriented. Whereas a few years ago, banks could be seen mainly as plants processing large-scale administrative operations, to-day they are first of all concerned with the marketing and sale of products adapted to a constantly changing

market demand. This is reflected in a shift in the relative role and weight of the back office (administrative departments) and of the front office (employees dealing with customers in branches). As in other sectors, the concern for the customer is now supposed to be the top priority.

But this orientation adopted in the late eighties and early nineties has to be compatible with another concern for profitability and cost control, which has become more acute with the recent economic recession and with the real estate crisis, which have seriously affected a number of banks. Following the concept of "lean production" which was developed first in the automobile industry, the concept of "lean banking" is now beginning to emerge. It implies a large-scale and systematic attempt to reduce costs to a minimum in a variety of ways.

The resulting compromise between these opposite objectives is illustrated by a strategy which is now widespread and which is based on market segmentation. Customers and the services offered to them are segmented according to profitability criteria. Wealthy customers receive a special tailor-made service and some banks have created special banks for private banking. At the same time, for the bulk of customers, there is more standardization and automation of services.

This is reflected first of all in a new approach of the distribution network. During the first phase of competition (in the seventies in the most advanced countries, until now in others), banks were attempting to set up new branches in order to have a full coverage of the country and to attract the maximum number of customers.

At a later stage, the policy is to maintain only those branches which are profitable. It may lead to a closing of some of them, and/or to a differentiation between large branches offering full services and others providing only a minimum service. One of the banks visited during the survey illustrates this trend towards splitting the product offer by creating a subsidiary where only simple products are sold. It is already the case in Greece, where in many branches only simple operations can be done. A French bank also refers to a tendency to specialize the branches : some of them deal only with individual customers, others with enterprises.

In areas with a scattered population, this may imply that customers have to be satisfied with the most automated or standardized service or should move to a larger center. This situation is already fairly advanced in some regions of the US, where customers are beginning to complain about the shortage of bank branches available within an easy reach.

Mergers, acquisitions and strategic alliances are other strategies which may aim at expanding the volume of business and at the same time cutting costs, through economies of scale and avoiding redundant activities and units. They may be achieved through business re-design, which may involve centralization of

back office work (while at the same time there could be more decentralization of the commercial business), splitting the bank between different units dealing with different types of customers, re-structuring the work process and sub-contracting some activities. Other key words in these processes are flexibility and responsiveness (just as in any other industry).

All these developments take place in a context of internationalization, with a particular focus on Europe at the turn of the nineties, in order to be ready for the Single Market. Strategies used in this context include : mergers of big universal national banks, buying distribution networks, alliances with participation, buying a specialized bank or building one's own European network.

This is the broad picture. But it requires a little more clarification. Concerning first of all internationalization : thanks to communication technologies and de-regulation, it means that an increasing number of operations can be done across the borders. But it does not necessarily implies that banks are physically present in foreign countries. In fact, the recent years have seen a clear differentiation of strategies.

In Northern European countries, most banks are actually reducing their direct activities abroad and closing a number of their foreign branches, because they realized that it was unnecessary and costly. When they cross the border, it would rather be only on a regional basis. Very few of them are trying to become truly international. And it requires a very large scale of operations: only ten among the biggest in the world are said to have the sufficient size. It also raises the issue of whether to start a new bank (it takes a long time to reach a sufficient size and become competitive), or to buy an existing one (but it is expensive and it may raise difficult problems of culture and of adjustment).

In Mediterranean countries, a few banks are still trying to expand their activity abroad, but only in specific countries.

It should also be underlined that within the range of possible strategies outlined above, each bank selects the one which is more appropriate to its own concept, tradition and culture, but also to the local conditions. There are fewer banks to-day trying to deal with global banking for all types of customers and more trying to be specialized in a specific "niche" : a specific category of customers or of services. There are even fewer banks trying to apply the same concept in different countries and they sometimes find it difficult.

It is interesting to observe that, even in a given national context, there are possibilities for rather opposite strategies to co-exist and to be successful in different areas and for different types of customers. The success of a highly modernised and automated international bank aiming particularly at professionals does not prevent more traditional companies (mutual or savings banks) to keep their traditional customers, especially

in a rural environment and in small towns. There is still some room for a more traditional approach of the banking business, based mostly on a personal relationship and on an image of the company deeply rooted in the local environment, its culture and its tradition. Therefore, one should avoid over-simplifications based on the identification of major trends.

3. CHANGES IN WORK CONTENTS AND SKILL REQUIREMENTS

The far-reaching economic and technical changes which have affected financial markets, products and processes as well as the structure of the sector and of enterprises obviously had a considerable impact on work contents and on the type of skills required of the staff.

3.1 A broad upskilling trend

It is now generally accepted that there is a broad trend towards upskilling of the workforce in the banking sector, as a result of the combination of several factors :

- a good deal of the data processing work has been considerably simplified, or even abolished by the process of computerization and by changes in the payment systems (comparatively less cheques, more automatic payments and development of automatic teller machines - A T M). As a result, the number of employees assigned to these tasks and having a low level of qualification tends to decrease (a factor which is not always sufficiently taken into account by research on sociology of work focussed on changing work contents for a particular task or unit) ;

- intensified competition and the new technological potential contribute to the growing diversity and complexity of products and financial techniques, which require more qualified and more specialized people ;

- these factors, together with more demanding customers, led to a new emphasis on sales and on an individual attention to customers, with new forms of organization implying more responsibility and more variety of tasks for a number of intermediate employees.

Generally speaking, all these factors contribute to an overall trend towards upskilling. But one should not be too systematic in this respect. Considering specific areas at the micro level, and in relation to the competitive and cost pressures, there are exemples of a continuing use of a Taylorian approach, of further rationalization and work intensification, which may result in de-skilling and demotivation of workers.

The situation differs according to national contexts, as suggested by various comparative studies. Bertrand and Noyelle (1987) thought that the process of change along the above lines was common to the five OECD countries observed, with slight differences : for instance, decentralization and "polyvalence" were particularly significant in France, while they did not see much evolution in the organization of German branches. But they concluded that as a whole "new " competences were emerging that could be clearly distinguished from the traditional ones :

instead of performing stable and concrete tasks in a rigid organisation and a narrow environment, banks' employees would tend to work in a more abstract way, as a team, in a broader environment, requiring an ability to be more autonomous and to adapt more easily to change.

Other studies carried out in the framework of EEC (Eksl 1992), OECD (Baethge and Oberbeck for Germany, the Netherlands study) and CEDEFOP (forthcoming) came to rather similar conclusions. Inter-country differences appear to be much more significant with regard to the supply and management of the labour force.

In her various comparative studies between France and U.K., J. O'Reilly (1992) puts much more emphasis on differences between countries : she argues that in view of their specific institutional contexts and traditions, banks react in a very different way to the common competitive constraints and technological potentials, even from the point of view of work organization. For instance, French banks are now offering an integrated cashier service, whereas service delivery in Britain is more segmented, so that employees in the former perform a wider variety of tasks ; generally speaking, there would be more "polyvalence" and functional flexibility in French than in British banks.

She also suggests that the type of work organization adopted by enterprises is related to the availability of a skilled workforce in the country : if there is an adequate supply of well-trained workers, it is incentive to adopt an organization which relies more on autonomous and responsible employees.

Observations undertaken for our survey were too limited to further elaborate the discussion of this point. They tend to suggest that the situation of U.K. may be rather specific in this respect. A widespread view in other countries is expressed by a manager of the most aggressive Spanish bank who considers that "the bank is faced with a clear dilemma : either to decrease costs or to increase the volume of business ; but both can be done only with a better qualified workforce". A number of banks in Southern countries are just beginning to feel the impact of competition and computerization on skills and qualifications (such as Greece or some of the banks in other Mediterranean countries).

The findings of this survey even more confirm a very significant shift, away from a bureaucratic approach and from administrative tasks, towards much more emphasis on sales and on customer oriented activities. A meaningful criterion is the relative proportion of employees in the front office and in the back office. Typically, it was 40 and 60 % a few years ago in a French bank where it is now 60 and 40. A general objective of banks nowadays is to have some 65 % of the staff in contact with the customers, in the front line. This shift has important implications on the new profiles required.

3.2 Priority to the sales and marketing staff

In the new context where banks are becoming primarily commercial enterprises, the most important employees are those who design the new products and those who are expected to sell them. The first ones are in limited numbers and have to be highly specialized. The second ones - the front-line people - tend to constitute the most important category in terms of numbers and of human resources management.

The two qualifications are clearly distinct and one banker considers that letting the product developers have direct sales contact with the customer is the surest way to decline, whereas the front-line staff has to be very near the customer, to put himself in the customer's skin and to satisfy his/her needs. The front-line staff includes such people as branch managers, counterclerks, account managers, portfolio advisers and telemarketing salespersons.

The front-line staff requires a combination of technical skills (comprehensive knowledge of the banking techniques, products and customers' needs) and of personal skills. They are expected to be excellent salespersons, to be able to build a lasting relationship with the customer, to give professional and honest advice, to work within a team. The most important skill from the point of view of management is the ability to develop a human relationship. The more important the customer for the bank, the more important is the relation building. Banks help them by offering, through the computer, "customer portraits" that give a complete overview of the relations of the customer with the bank and if possible his/her profitability for the bank. All sorts of packages and linked products are at the disposal of the clerk to link and improve the customer's relation with the bank.

Although every counterclerk should move from product selling to customer-problem-solving, bankers consider that giving advice is a special skill. Many banks have three levels of advising people. Light advice, as it was often called, can be given by the first contact person at the counter, middle advice is given by more specialized persons in full service branches or by support people at the regional level, expert advice is only available in central offices or in specialized subsidiaries.

Recent trends in this direction take place in Germany, where the large category of qualified "Bankkaufman/frau" with a broad experience tends to be torn apart between three categories : the simple seller, with no particular banking qualification and no career prospects ; the traditional qualified bank clerk ; and the specialist bank adviser, who is either the qualified clerk after promotion, or someone recruited outside with higher banking qualifications.

In France also, there has been a good deal of experimentation concerning a new organization of the front office, but it tends to favour a global approach of the customer, implying a broad-based training on products. It is not easily compatible with the

idea of a simple seller. A clearer distinction between the bank clerks in charge of routine tasks and the customers advisers has also been achieved in a Danish bank. The survey undertaken for the CEDEFOP study (forthcoming) includes rather contradictory views by staff members on the issue of specialization. It illustrates the fact that trends are not always very definite, as different options are open.

In this context, one might ask where are the bankers ? A Belgian manager considers that a bank actually needs very few bankers (less than 5 % of the total staff). "It needs organizers and above all sales people who know something about the products that they have to sell. The literature says that the strategy should go down to the lower level of the hierarchy, so that people would know about it. In fact, good salesmen listenig to the customer and asking for more information when required would be enough in most cases. The top management of the bank is mainly composed of engineers, organizers, human resources specialists ; very few are bankers".

Finally, it should be mentioned that, in banking like in other industries, one category which is particularly threatened by the process of change is the traditional middle management, composed of employees with low initial qualifications, who have been promoted on the basis of their seniority. Their role was to have authority on a small group of clerks in administrative units and to settle minor incidents using their experience. The automation of administrative processes and the direct relationship established with customers by more qualified junior staff tend to make them redundant.

3.3 Future prospects

This brief analysis shows that future skill structures and training requirements will depend to a large extent on the choice of organization to be made by the banks. These choices are related to the marketing strategies (more complex products require more qualified people), to the growing cost constraints, to the problems of re-allocating the workforce (which will be discussed below) and to the concept of the role of technology.

Some of the interviews illustrate this point. According to a British training manager met by Quack et al. (1993) for instance: "How do you ensure that every cashier will provide the same quality of service as the best cashier ? More training" ? "No ! More technology ! You put the best way of thinking into the computer".

For a Belgian banker, more than 70 % of the tellers have now an administrative profile. "What they know in this area can increasingly be done by the computer. The majority cannot be replaced for social reasons and even further training will not succeed in making them competent. The only way is a re-distribution of the respective roles of employees and computers, to make the former more efficient in a commercial activity".

If such policies were implemented on a large-scale, they would contradict the present dominant trend towards up-skilling - at least for certain categories of workers. Concerning the United Kingdom, Quack et al. (1993) tend to believe in this possibility and conclude that in that country there is an increasing fragmentation and specialization of jobs performed in the bank. In Germany, some bankers thought that simple sellers would not require more skill than salespersons in the retailing business, But such an approach would run completely against the German tradition of promoting a skilled workforce.

A recent French study (CEREQ, 1992) adopted a more balanced view, considering that the probability of a continuous upgrading of skill levels for commercial personnel could be partly counterbalanced by more assistance from computer systems (credit scoring looking more like expert systems) and from specialized experts in headquarters (or in regional offices).

A possible direction could be a clearer distinction between different categories of staff :

- specialists in financial engineering, organization, etc. whose work is not specific of banking and can therefore move easily from one bank or industry to the other ;

- sales people, with their own career as in retail, with the career problems involved ;

- lower qualified (and less paid) staff and contract people to work in the "factories" where there is still operational and administrative work to be done ;

- managers, whose careers will also change and who are increasingly recruited from outside.

This brief analysis shows that caution is required before drawing conclusions about trends affecting future skill requirements : a distinction has to be made between the various categories of staff and much will depend on the economic conditions and on the way individual firms will react to these conditions in a particular national context. But in any case, the emphasis on commercial skills will be a lasting one.

4. A DOWNWARD EMPLOYMENT TREND AND ITS IMPLICATIONS

Although the focus of this study is on the qualitative changes affecting skills and training requirements, they have to be seen against the background of new employment trends and their implications on workers' mobility and human resources management.

4.1 From the 1980's to the 1990's : a different perspective

As early as 1979, the French Newspaper "Le Monde" was asking whether the banking sector might be faced with employment problems comparable to those which had affected the steel industry. Previous studies undertaken in 1986 in five OECD countries led to a more optimist conclusion, although staff reductions had already taken place in some banks. At that time, the limited productivity gains resulting from the widespread use of information technologies were counterbalanced by an increased range and a higher quality of services offered to customers. Some saturation of traditional markets was felt in advanced countries, but "qualitative" growth was substituted for "quantitative" growth. As a whole, employment levels were stable or slightly growing in both EEC and OECD countries (Bertrand, Noyelle, 1986, Eksl, 1986).

To-day, the picture is entirely different and much darker. There are several explanations to this change :

- competition has considerably increased and it is now obvious that some countries at least are overbanked and have a saturated network ;

- as mentioned earlier, there is a substantial time-lag between the introduction of information technologies (during the last two decades) and the moment it produces productivity gains (mostly during recent years). As long as banks were earning money there was no hurry to reach this stage and face the social costs involved, but now the time has come with the impact of the economic recession and the crisis of real estate, which entailed heavy losses for a number of banks ;

- for many banks who feel that labour costs are exceedingly heavy, reducing employment is the most obvious answer. Concentration, mergers and acquisitions made it possible to reduce emplyment, especially in redundant central services.

The downward trend is more or less pronounced, depending on the degree of maturity of the financial sector in the country, on the national economic contaxt and on the financial situation of each bank. According to this survey, the rate of decrease varies between 2 and 20 % per year : some banks go as far as reducing their staff by 10 % a year over a period of two to three years.

Some of the most striking examples may be found in the United Kingdom, where job losses in the banking sector as a whole have been estimated as follows : 1990 : 12,611 ; 1991 : 22,931 ; 1992 : 12,610 ; 1993 onwards : 22,250 [1]

One of the major British banks has reduced its staff by more than 21 % in two years. Even in Germany, some of the major banks had to lay off some personnel.

In countries like Denmark and France, employment decline started around 1987. In France, the pace of decline is much faster now (2 to 2.5) than was anticipated in the late 80s (1 %), but with differences according to the type of institution (the decline affected first the larger traditional banks, then the mutual banks, while savings banks were still increasing recently).

One of the Spanish banks visited for this study reduced its staff by 2,500 in 1992 and is expecting 2,000 in 1993, which is almost 10 % of the workforce per year. In Portugal, employment has remained stable for the last three years despite the still increasing number of branches. But some banks have provided incentives to a number of workers, in order to encourage (or urge) them to leave.

4.2 The social impact of the decreasing employment

The impact of the downward trend depends on the current rate of turnover, which is itself related to the age structure, to the social and institutional context (it is usually high in the UK and very low in Southern countries, for instance where there is a tradition of life-long employment in the same bank and no mobility from one bank to the other) and to the economic situation (it is at the lowest with the current recession). When the turnover rate is not sufficient to allow for a reduction of employment levels, the freedom of banks to lay off their employees is related to the institutional and social context : legislation concerning lay off, strength and attitudes of trade unions (but stronger unions do not necessarily mean that it would be more difficult to lay off).

Foreign banks coming from countries with a more liberal employment policy have to learn to live in other cultures. A British bank announced recently that it was going to close its retail activities in France, where the trade unions had rejected its social plan and its justifications for laying off, in view of its favourable situation.

In this country, the level of profitability and the concern for social consequences made it generally possible to avoid lay offs through slowing down of recruitment and incentives for early leaving. Belgian banks also think that it is very difficult and very expensive to lay off people and some of them at least want to give some guarantee of stable employment.

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[1] Banking, Insurance and Finance Union, 1993 Report

Despite their particular social context and the strength of Unions, some of the most important Danish banks could not avoid to simply lay off some of their employees, in addition to other measures aiming at reducing employment levels. Even in Greece, where the maturity of the banking system is not at the same level, there has been no recruitment for three years in the public banks ; they have to follow instructions by Government, either in order to save money, or at some periods to recruit a certain type of people to create jobs. Private banks recruit only a few specialists.

The employment situation has important implications for this study, since a major issue is whether overstaffing is a quantitative or a qualitative problem of qualification. In most cases, employment cuts affect primarily the administrative units in central departments, as a result of computerization. There is however one instance (in Portugal) where this process was not yet advanced and where cuts concerned first the branches, where a new data processing system was being installed.

To the extent that it was the result of computerization and automation, staff reductions affected essentially the less qualified employees and those who were considered less adaptable to the new context (usually the same). When the major factor is the economic context and the restructuring of the firms, all categories of workers may be affected (and, for social reasons, Danish banks attempted to make it a principle).

"In many Western European countries, the present **age structure** of bank personnel will add to the problem of redundancies, if "laissez faire, laissez passer" attitudes persist. In Belgian banking, an important part of the present staff was recruited about 20 years ago, in the "high noon" of branch expansion. As a result, 43 % of the personnel was above 40 in 1989, and even more important, 30 % among them were between 41 and 50. How to organise in an efficient way the 10 to 15 final years of their career ? In our opinion, this represents the most serious challenge of the nineties for human resources management of lower- and medium-level of bank emplyees" (Lierman, 1990).

4.3 A low level of workers' mobility

Geographic mobility looks at first like an obvious answer to the cost constraints (by moving employees in areas where labour and building costs are lower), or to avoid lay offs (through transfers towards areas where there is a need for more staff). Moving out operations to less expensive areas in the country has been used on a rather large scale, for instance in U.K., where emploment in the London City has considerably decreased. But in most European countries, employees are not willing to move.

A Belgian bank has set up a new location near Brussels and has offered a choice to its employees : either moving to the new site, or being trained for a different job in a branch. In this

way, they are volunteers, which greatly facilitates the process of change and avoids difficult negotiations.

The lack of mobility of workers is considered as a major constraint in France, where one of the largest banks considers that mobility is an absolute condition for a responsible employment policy and for some kind of employment guarantee. Another bank offers substantial bonuses for mobility, but with little success.

A particularly difficult problem arises in **medium-size towns**, where some of the central administrative units located earlier in Paris were decentralized, particularly during the 70s. In some of these towns, the unemployment rate is very high, the bank is the first employer, but it would like to re-distribute the work between smaller units, and at the same time to decrease the staff in order to achieve the productivity gains made possible by computerization and rationalization. It offers attractive incentive to move to these smaller centers, not very far, but it is difficult to convince the employees (mostly women) to do so.

Italy and Spain look like rather extreme exemples of reluctance to move as a result of the traditional links with a particular region. In Greece, there is considerable attraction of the capital city for the poorest areas, while those leaving in the richer regions do not want to move, as they often also cultivate some land (many also have another job). There is no mobility from one bank to the other. In this country, as well as in Portugal, each bank has its own pension scheme, which is a serious disincentive for mobility : in Greece, the employee who leaves looses his/her right ; in Portugal, it limits early retirement and mobility, since if an employee moves to another bank, the latter has to take over the responsibility for his/her pension. It is also reported by one of the banks that internal mobility in Greece can be limited by the practice of consultation including trade union representatives, who are usually opposed to mobility.

5. ADJUSTMENT THROUGH QUALITATIVE CHANGES IN THE WORKFORCE

"The most critical factor now in planning human resources is the qualitative aspect. To day's highly competitive market forces us, not only to master growth, but to constantly update our know how, behaviour, professional standards and necessary skills, whereas structures become more and more complex, but at the same time extremely flexible" (Eksl, 1992).

If the consideration of employment levels is important as a background for this study, its focus is on the qualitative aspects. Having identified the changes which are taking place in work organisation, job contents and skill requirements, the central issue is the adaptation of the work force to the new situation.

But it cannot be seen only in terms of a one-way relationship (implying that the workforce should adjust to the new conditions), even if this the way many managers would like to think. In most cases, they have to take into account the social context and the availability of labour and particularly of skilled labour. The adjustment process therefore has to be seen also from the supply side and it is here that national contexts may differ.

One of the differences concerns the **place of women** in the overall employment in banking (ILO 1992). M. Bertrand and D. Annandale observed a substantial difference between Northern and Southern countries, with no more thant 18 % of women in an Italian bank and up to 70 % in a British company. It would seem that the gap tends to decrease with a growing place of women in Southern countries. A Greek bank visited had already 50 % of women. A major Spanish bank which employed only 3 to 4 % of women in 1987-88 took an explicit policy of filling at least 40 % of vacancies with women, who represent now 40 % of the staff. Other Spanish banks already have 50 % or more.

These differences have to be borne in mind, since they are correlated with other aspects of human resources which will be reviewed below, such as part-time work and careers.

5.1 Flexibility and alternative forms of employment

Flexibility has been a key word in the 80s. It can serve several purposes : adjustment to expected or unexpected variations in sales and business, cost reduction and/or availability of skilled labour. It can be achieved in an internal way (multi-skilling or re-allocation of the workforce), or in an external way (looking for contingent work, or alternative forms of employment). Banks are comparatively less concerned than manufacturing or retail firms by short-term variations of the volume of business. They

are more concerned with cost control and the availability of skills. But the level of flexibility that they can achieve is subject to the supply of labour and to the social and institutional context.

Part-time work can be seen by the banks as a means of adjusting the workforce to the variations in the number of customers (employing staff only during peak hours) and as a possbile way to reduce labour costs without redundancies. But middle management may be reluctant because it makes work organization more complex. For employees, it may be a convenient way to have more time available, especially for looking after their children.

As a whole, part-time work is more developed in the US than in Europe, in the North of Europe than in the South (Bertrand, Annandale, 1992) and in UK than in France (around 25 and 9 % respectively, O'Reilly, 1992). In the United Kingdom, part-timers employed on a regular basisto meet peaks in customer demand in the branches. These uses of part-time work come closest to the model of the flexible firm (O'Reilly, ibid.).

In France, part-time work concerns almost exclusively mothers at their request for one day a week (when there is no school) and top management finds it hard to persuade their staff and the middle management of its positive aspects. However, recent agreements have been passed recently, which may pave the way to frther progress. There are also countries, such as Spain, where trade unions are not in favour of the extension of part-time work. But with increasing pressure on costs, on employment and on flexibility, further extension seems to be likely.

The use of **interim work** is not very widespread in banking and it is not allowed in some countries, such as Spain, but it tends to increase. A Dutch bank in the process of merging is using interim staff during the transition period before closing down some units. Similarly, short-term contracts, which are not in agreement with the tradition of stable employment in the sector, are becoming more common, at least in areas with a tourist activity and are subject to seasonal variations (e.g. in Spain).

Rather than recruiting, a Belgian bank prefers to work with **free lance and outside specialists**, for instance for computing business, half of which is done outside, partly by distinct companies belonging to the group (a practice also observed among French and Spanish banks). Trade unions are often opposed to this arrangement, which is still rare in Southern countries, but also sometimes in the North : the banks visited in Denmark for instance still prefer to do everything by themselves.

Contracting out, either through an external firm, or through a subisdiary of the bank, is another way to achieve flexibility, but for different reasons. It may be a way to look outside for scarce skills, at specific periods and possibly beyond the regular salary scale (e.g. data processing), or to cut on costs which do not concern the banking business (e.g. catering or security), or to achieve an efficient and independent management

(training, for instance in a Greek bank where a subsidiary will soon sell its training know how on the market).

This development has started in the eighties, but it depends on particular bank policies. Some banks already have more than 50 % of their non-bank support people (computers, organisers, legal advisers etc.) sub-contracted ; others still do everything by themselves. This division seems to correspond to the career policy : in the first kind of banks, they tend to recruit specialists for these jobs and to keep them ; the second type of banks have a very strong mobility policy and have nobody staying longer than 5 to 7 years in the same job.

According to the ILO study (1993), a number of banks have already begun to make arrangements with countries where labour is cheap to subcontract a number of their processing operations abroad (just as airlines companies have been doing for some time). Such a development has not been mentioned during the interviews. But it would be technically feasible : there are already some experiments of subcontracting secretarial work and a French bank has mentioned that it has closed down its stationery office, all the orders being sent directly to a wholesaler through a telecommunication system. A German bank has a similar arrangement.

The question is whether it is appropriate in view of the particular conditions (safety, confidentiality, speed) required by the banking business and whether some banks would be prepared to face the social implications of such an initiative.

5.2 Recruiting at a higher level of education

Until the 70s, when banks had a considerable amount of simple and repetitive operations, they used to recruit employees at a rather low level of education (no more than elementary school in Greece, middle school in France....). The need for more qualified staff in the eighties led to higher recruitment levels (Bertrand, Noyelle, 1987 ; H. Bertrand, Annandale-Massa, 1989). But soon afterwards, there was a slowdown of recruitment levels, so that that the little numbers recruited were often selected at a much higher level to fill specialised jobs. There has therefore been a rather abrupt upward shift, but concerning comparatively small numbers, so that the process of renewal was slow.

Indeed, human resources departments find it sometimes difficult to convince top management that even in a period of decreasing employment and redundancies, a minimum level of recruitment is necessary to maintain a balance of the age pyramid and to bring fresh blood into the bank. Such examples were met in France, of banks continuing to recruit despite poor financial results and in Denmark of personnel departments arguing - without success - for the same policy.

In countries like Germany where apprenticeship is the main source of recruitment, maintaining a regular flow of apprentices in

training contributes to a more stable employment policy and a balanced age pyramid. "The proportion of apprentices in relation to employees is above the national average (in 1991 : 10 %) and has remained quite stable during the last ten years (Quack et al. 1993). Although the system is rather similar in Denmark, it was not possible in that country to maintain a continuity as a result of a more serious financial situation.

The higher level of qualification of new recruits is not only a response to new skill requirements. It is also related to the supply of educated people, resulting from the progress of upper secondary and higher education in European countries. The high level of unemployment also contributed to open more choice for the employers among highly educated candidates, especially women. In a time of uncertainty, they tend to assume that by recruiting more educated young people they create a pool of more adaptable employees.

Although this trend towards a higher level of recruitment has been general, it took different forms according to national contexts, notably in connection with the supply of labour and the structure of training systems (which will be reviewed below).A recent study (Quack et al. 1993) puts more emphasis on diverging evolutions in the three large European countries :

- the United Kingdom, where banks moved towards a tiered recruitment, with a fast-track path developed for graduates, but those represented only a small minority of employees and of recruits. According to O' Reilly (1992) banks in Britain were continuing to recruit around the age of 17 and 100 % of the women interviewed in clearing and 97 % of the cashiers had finished their full-time education by the age of 17 ;

- Germany, where a constant upgrading has been achieved through both a growing recruitment of university graduates and - even more - a higher level of education of bank apprentices : 71 % of them in private banks had completed high school (Abitur) in 1991, instead of 59 % in 1983 ;

- France, where a very sharp modification of recruitment practices took place in the eighties : to catch up for the low level of the majority of earlier recruits, a majority of new recruitments took place after two years of post-secondary education , or after graduation (71 % of the recruitment in 1992, against 8 % below the baccalaureate, compared with 65% below baccalaureate for all employees in 1987 according to Quack, 1993).

The interviews conducted for this study suggested that a similar situation is emerging in Spain and in Portugal. In Spain, most of the staff of some banks has only received an elementary education. The recruitment of graduates is recent, it represents now a substantial proportion (15 to 50 % in the banks interviewed by H. Bertrand and D. Annandale, up to 90 % in one of the largest banks visited for this study). In this country, there is no intermediate qualification between secondary school and

graduation. In Portugal, recruitment in banking could be made a few years ago with only nine years of schooling, but now higher education is often required and there has been a recent interest for newly established business schools.

Denmark is an extreme illustration of the opposite pattern, which is rather similar to the German one. In some of the banks visited, around 90 % of the new recruits (in decreasing number) came from apprenticeship, against only 5 % coming from the university and an equivalent proportion without any particular qualification. This tradition is however challenged and reference is made to a recent tendency by some banks to recruit young unqualifed or semi-qualified staff, arguing that they need more flexibility. But the unions are against this practice.

Despite the dominant trend towards recruiting at a higher level of education, it should be stressed that it is not the only selection criterion. Quite to the contrary : it could be roughly said that in more advanced countries, more personality criteria tend to prevail, while for instance in Greece the selection is based essentially on the basis of (school) exams.

An abrupt change in recruitment policies can introduce a gap between senior employees with a low level of education, and younger ones with a much higher level and also with more limited career prospects. A French study has analyzed the tensions and inefficiencies resulting from the co-existence of senior specialists used to the hierarchical tradition and the more educated, mobile and multi-skilled junior staff members (Courpasson, 1990). Portuguese banks reported difficulties with university graduates, whose expectations were too high and tend to leave after two years.

5.3 Changing career patterns and revising wage systems

In banking more than in other industries, employees are usually not recruited for a particular job, but for a long-term work in the company, opening some career opportunities. Recruitment therefore cannot be dissociated from the consideration of career patterns. In most European banks, these are changing.

Greece is a typical example of a traditional system conceived on the civil service model. Promotion is based essentially on seniority : there are 28 levels and every two years employees go to the next level. Degrees and diplomas automatically bring a given increase in the salary. In one of the banks visited, newcomers move around the divisions of the bank during the first five to six years, to give them a full overview of the bank. Only a few specialists may remain in the same job for a long period, but it is considered bad, as they can no longer be employed elsewhere.

Denmark is another example of a traditional situation, where a majority of managers are recruited on the basis of an internal promotion of some of the senior employees recruited initially after completion of the banking apprenticeship.

Earlier studies (Bertrand, Noyelle, 1987) had already identified a widespread trend towards a more clear-cut distinction between a fast track for higher education graduates and specialist jobs on the one hand and a slow track for other employees on the other.

According to a French banker, an important and recent change is the **questioning of the tradition of internal promotion** related to functional mobility. In the past, employees were supposed to acquire experience and to learn their jobs by moving from one place to the other quite often. But customers are complaining that the commercial staff is moving too often and the changing skill structure requires more specialized people. So in the future, there will be careers within more specific streams or even more specialization, a change which will upset everything, including the wage system.

A rather similar situation has been observed among Belgian banks. A banker considers that increasingly specialized people are required because the World is becoming more complex. The traditional way of horizontal mobility to train all-round managers is therefore no more adapted to the new context and is becoming less common. In the old days, managers were required to have experienced all the areas to become generalists. Now, it is rather the other way round : one would rather expect specialists to become eventually managers.

It should however be mentioned that some Dutch banks still prefer to maintain a system of rotation, in order to keep the flexibility and the synergy of the staff. One of them has a rule according to which an employee below the age of 40 cannot stay longer than 5 years in the same job and no longer than 10 years after 40.

Careers are of course related to the **wage structure**, to which only passing reference can be made here. In most countries, wages used to be attractive in the banking sector ; they were often defined in a rather administrative way, with heavy emphasis on seniority. A major issue in several countries is to get away from this system, which tends to weigh heavily on labour costs and to move towards more recognition of individual merit. It may be the object of difficult negotiations with trade unions.

This situation is exemplified in France and Spain, where the wage system is considered as "prehistoric" by a manager. French banks are very concerned about the relationship between employment and the wage structure. They consider that if employment levels have to be approximately maintained, new ways have to be found of reducing labour costs, which are now largely influenced by seniority.

In Denmark, the level of wages in the banking sector does not seem to be comparatively attractive, so that large numbers of employees, mostly managers, leave banking for industry in periods of economic prosperity.

In banking as in other sectors, there are comparatively **few women in management positions**. In some coutries (e.g. Greece) it can be partly explained by the fact that their recruitment is very recent and that their careers used to be much shorter (legal provision for early retirement). There are signs of progress in some countries, usually at a very slow pace. One Spanish bank at least reports however a significant increase in this area. This situation of women may have implications on recruitment and training policies : do they apply in the same way to women with less career prospects ? This is also related to employment conditions and particularly to the extent of part-time work,

Related to the career issue and to the earlier discussion of the banker profile, there is also the question of whether it is desirable to recruit most employees at the same level and with the same time of basic training, then to offer them promotion opportunities (as in Denmark) or to diversify recruitment profiles to satisfy specific needs ? This question will come again with the discussion of training issues.

5.4 Re-deploying the workers

A final and major question for many banks to day is to what extent is it possible **to adapt the employees to the new demands and whether it is a matter of training or of personality**. For a Belgian banker, the challenge is not so much a matter of upgrading the skill level of the staff, which can be done in most cases through training. It is more a question of shifting from an administrative to a commercial type of job. And this is a question of personality and of attitudes, rather than of knowledge and know how. But changing personality and attitudes is often more difficult than acquiring new knowledge and know how. "Many of those people do not want to be salespeople (...) They did not join a financial company to be salespeople." (Stemper, 1991).

British bankers interviewed by Quack et al. (1993) also stressed that formal qualifications are less important than the need to prove that employees have the required qualifications. "We put more emphasis now on competence rather than on abstract knowledge... Personal skills are more important than numerical skills".

One of the answers, as indicated above, is to expect more from technology. Another one (mentioned by a French regional bank for instance) is to create new jobs of sales assistants for people who have an administrative profile, who can relieve the sales specialists from part of the administrative tasks that they still have to perform, making them more available for their main job. At the same time, it is an opportunity for these new assistants to get some experience of more commercial tasks (making appointments with customers, replacing the sales specialists when they are out) to test their ability and motivation for a possible shift.

More generally speaking, the trend seems to go away from the traditional safe and life-long career in the same bank and to expect that the staff will take more and more their career in their own hands. A Dutch banker has rather strong views on this perspective when he says : "we still organize seminars on 'what to do with my professional life' and we hope that those we do not need any longer will understand and leave. Time may come that we tell them to leave and continue their career somewhere else".

Finally, even though the above comments show the limitations of training, it obviously has an important role to play in the re-deployment and adaptation of the workforce.

6. ADJUSTMENT THROUGH TRAINING

During the eighties, it became commonly accepted that training should receive a higher priority, since it had a major role to play in raising the efficiency of the workforce and in contributing to the adjustment process, either through the renewal of the workforce with young and better trained people, or through re-training and up-skilling of those who are already employed. During this period, training efforts have been growing. With the nineties however, the concern for cost tends to limit the growth and may even reverse the trend.

The distinction between initial training and continuing training hardly applies to the banking sector, as national systems usually do not provide any specific training for banking. Most of the training is usually outside the institutional system. The differences between countries concerning the structure of these national systems therefore apply only partly to banking, but there are nevertheless differences in the provision of training.

6.1 Various types of institutional training

Institutional systems of vocational education and training in European countries generally do not include any specific stream for banking. There are several explanations to this situation. One of them is the preference by most bankers for a broad-based basic training and for keeping themselves the responsibility for it, related to a reluctant view of public vocational systems (for instance in France and in Spain). To what extent is banking a specific subject is also debatable, especially in view of the blurring of borders between various types of financial firms. If an initial training has to be established or maintained, it would be advisable to base it on a common programme including the various dimensions of finance which are also of interest for insurance specialists and for those who are employed in the finance department of industrial or commercial firms.

This issue is also related to the earlier discussion of banking as a specific occupation. Drawing the conclusions from the above analysis, a German Sparkasse considers that a banker's training is no more essential ; so he is going to employ people who do not know banking and more people with less qualifications on a part-time basis. If such an initiative is followed, it would imply a rather radical departure from the traditions which were up to now strongly maintained in Denmark and in Germany. It would have implications for career patterns, but more broadly for the conception of the role of training for the individual worker as well as for the firm.

For the time being, the only European country where banking is a regular part of a national system of vocational education is Germany. In that country, a basic training of skilled banking employees (Bankkaufman/frau) is one the 383 which prepare for

recognized occupations within the "Dual system" of apprenticeship. It follows a very old tradition, which has been formalized by the 1969 Law, dealing with the major part of the training, provided by the enterprises. A coordination with the schools for the other part has been the object of an agreement in 1972. The objectives, organization and contents of the training have been defined jointly by the social partners, following a process coordinated by the Federal Institute of Vocational Training (BIBB).

The duration of training is normally three years for the trainees who have not completed secondary education, but it tends to go down to two years for those who are increasingly recruited at the level of Abitur. This basic training is widespread, since approximately 80 % of all bank employees have accomplished a vocational training in the occupation (Quack et al. 1993).

One of the trends identified by Quack et al. is an increasing use of formal training in the firm : in addition to the instruction given in public vocational schools, between half a day and one day per week are spent on courses, providing more up to date firm and product specific knowledge. In other words, there is, even more than in other sectors, a trend towards more company influence on the implementation of the theoretical instruction.

In addition, "young people are also encouraged to participate in further education at the "Bankakademie", an institution supported and coordinated by the major banks, which provides courses leading to recognized certificates" (Quack et al. ibid.).

In Denmark [2], the education of bankers has been part of the activities of the Banks' Association for more than thirty years. The Education Department of the Association is in charge of the education from the planning stage, through the production of teaching materials to the final examination. Representatives from the banks, the employers' and the employees' organizations supervise the development of the education.

A training agreement is part of the common agreement between employers' and employees' organizations. Education is paid for by the banks according to specific rules. In the future, it is expected that banking training will become part of the public vocational training system, which has been recently reorganized. This will enable the banks to recover part of the education costs. At this stage, there will be little difference with the German system.

Normally, entrants to the banking education are aged 19-20 and have completed twelve years of education. The first two years of employment in a bank are considered an apprentice period during which a well specified education programme must be completed. It includes practical training on the job and theory which comprises

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[2] Presentation of the Danish participant to the Athens Symposium

three courses : financial markets, financial calculations and banking products.

After completion of the apprentice period, the young banker is entitled to follow his studies and to prepare a Banking diploma, through a distance two year course run by the Bankers Association.

In the United Kingdom, colleges of further and higher education and polytechnics offered courses in banking. A banking certificate was established in 1987, together with a degree level examination.

In France, there is a very specific system of training, since it prepares for State examinations, while the provision of training is placed entirely under the responsibility of employers, through a National Training Centre. There is a whole range of degrees at the higher level and of diplomas at the lower level (though the latter tend to disappear with the upgrading of recruitment levels).

There are several differences with the German system : training is provided to employees who have already been recruited, although there has been a recent initiative to recruit apprentices (in Germany, the apprenticeship period is an opportunity for the bank to select those that it will recruit); training is essentially school-based ; there is no connection between the training courses and the job performed and the completion of the studies does not necessarily involve any change in the nature of the job. But diplomas have an incidence on the position on the classification system.

Banking Training institutes also exist in most other countries. In the Netherlands for instance, it delivers the basic training at all levels, leaving training in specialized skills and specialist applications to individual banks. In Portugal, the Institute which is now a department of the Bankers Association, offers a whole range of courses at all levels, starting with a basic course of three years duration, followed by a management course and by advanced management courses, all by correspondence. In Greece, the Chartered Institute of Bankers provides a 3 year voacational programme leading to a private diploma. With one additional year, it is the equivalent of a university degree.

6.2 The training effort reaches a peak

Recruiting more qualified young employees is not sufficent to ensure a renewal of the skill potential, especially when recruitment levels are sharply reduced. Continuing training looks therefore as the most obvious solution to solve the problem of the workforce adjustment. In the Northern European countries, banks have considerably increased their training effort during the seventies and the eighties, in terms of money, of time and of educational resources. The development of training is new in some countries such as Greece, where the first initiatives were

taken in the 70s' and where some banks still do not do anything internally.

It is difficult to measure this effort. Most banks do not hold systematic accounts of training costs and much depends on what they are taking into account : only actual expenditure, or also the time spent by trainers and trainees ? Only continuing training, or also initial training, including apprenticeship ? Without clear and common definitions, comparisons are risky. In France, where training is a legal obligation, banks report a high average of more than 5 % of the overall wage bill and a maximum of more than 7 % for some companies. It is approximately the same in Germany. During this survey, figures mentioned by banks referring to a growing investment in training, particularly in Southern countries were much smaller (usually around 2 %). But to what extent does it reflect a much lower level of expenditure or a different method of evaluation is not quite clear.

In Southern countries, training activities are supported by EEC funds. During the interviews, it has been suggested that this might not encourage banks to spend more, as some of them at least rely too much on these resources. Some of the bankers interviewed in Greece and in Spain also report that managers had yet little interest for training, which was a factor limiting the progress of training activities.

In countries where the process of modernization has begun recently, an upward trend can be observed to-day. In Northern countries, the fact that the training effort has reached its limits in several countries and in terms of cost, or of a sufficient level of training already reached by their staff, can be illustrated by several examples.

A Belgian banker for insstance challenges the common view according to which training would be essential because the competitive edge would correspond to the skill level of the workforce. He considers that now (in Belgium at least) all major banks have already a well-trained sales force and every interesting customer is already contacted by several banks. Training is of course necessary, but the advance that it gives to a particular bank is only temporary : after a couple of years, all are at the same level.

Another limitation is felt by an international bank in Spain, which came to the conclusion that its problem is more than a training problem. It is also one of attitudes of the staff.

The cost issue has become critical for instance in major British banks, which have squeezed their training budgets (as already observed by Quack et al.). They have closed down the large and expensive training centres which they used to maintain and they are looking for less expensive forms of training.

The human resources manager of a large French bank has also expressed a concern for some of the limits of its training effort. Training is a right for all banking employees, but

management considers that it cannot go beyond the present level of 7.5 % of the wage cost and that there is a need to share the burden. This is becoming a big issue now, which is not specific of French banks in view of the new concern for costs. Is there a risk that "lean banking" would also imply "lean training" ? The idea for the time being is rather to focus more on the assessment of the returns of training, on link more closely training and work and to make a better use of the resources.

6.3. A re-distribution of the roles of providers

Five types of actors are involved in the organisation and delivery of training : academic institutions, specialized banking institutes, private providers, the banks themselves and their employees. The first two of them have been introduced above. They are increasingly competing with the third one on what may be considered to-day as a training market. The respective role of these actors differs according to national contexts, stages of development and overall business strategies. As training is gaining importance, but also becoming more costly, new approaches have to be found.

At an initial stage of development, the simpler answer to satisfy new training needs is to look for outside providers, particularly the private ones, when academic institutions are not prepared. This occurs particularly for training in the use of information technology or selling techniques.

Soon, banks feel the need to master at least the overall planning and organization and for that they need a training unit or department (established only a few years ago in some of the Greek banks). At an intermediate stage, this department may directly organize some of the courses in its own premises. It offers a list including these courses as well as others provided by outsiders.

Some banks insist that the staff of the training department should be composed exclusively of professionals of the bank, in order to make sure that training sticks to reality. Others combine the two types of profiles. Very often, staff members are working in the training department on a part-time basis or for a limited period of time.

Internalization

With the increasing emphasis on the commercial function, on selling the bank's image and on the development of a company culture, there is a tendency for a number of banks to take over the responsibility, not only for planning and organisation, but also for the delivery of training. In undertaking this process of internalization, banks are also often hoping to reduce their overall training costs and want to look after the confidentiality aspects. Different views are however expressed sometimes, for

instance in Germany [3], where it is expected that more seminars will be organized in the future by training institutes in order to lower the cost in comparison with in-house training.

But it is difficult to ask the central department to meet all the needs. Looking also for a limitation of transport to the central department and to a better integration between the daily work and training activities, a number of banks are attempting to decentralise them. Managers are requested to work as trainers and to act as multipliers for the central training department, which tends to work more as a resource centre. It defines the training courses and prepares the teaching materials.

Integration also means that training is more closely related to the overall strategy and to the marketing approach. As far as possible, this has to be reconciled with employees' individual motivations and career prospects. Such an approach implies a shift, away from the simple supply of a catalog of training activities.

Internal training is particularly appropriate to organise training sessions on products, the approach of the customers, the bank's methods and policies, information systems and so on. But it cannot solve all the problems, especially those arising for the organization of more long-term and highly specialized courses, as well as for the training of managers.

More cooperation between banks and educational institutions

To satisfy these needs, a recent trend is the development of various forms of cooperations between banks and academic institutions.

In France for instance, there is already quite a long experience of cooperation with universities, including the joint organization of specialized degrees in specific areas of finance. In 1993, seven universities are providing this type of training, which entails economies of scale (the same university provides training for several banks) and tapping on a wider range of teaching competences. One of the banks visited in the Eastern region has contributed, together with two other banks and with the National Banking Institute, to the creation of a new Higher Institute within the University of Nancy. It will offer a three year course in finance, banking and insurance. Part of the teaching staff will be provided by the firms. The Institute will also offer courses for managers.

At the secondary education level however, French banks do not seem to be so interested in a cooperative approach. Possibly partly because they do not feel such a need, partly because they are reluctant to be involved with what they feel is a different (more academic world). In addition, they would have no control over the flow of students, whereas the Banking Federation has to

[3] Presentation to the Athens Banking Symposium

give its agreement to the intake into cooperative programmes, with a view to relate it to the employment opportunities.

In the Netherlands, the Amsterdam Academy for Banking and Finance has been created a few years ago to give an answer to the questions : how to better align continuing education with a career in the financial sector? how to reorganise higher education in order to reduce the banks' training responsibilities ? and how to prepare people so that they can be immediately employed, without having to forget a series of unnecessary theories ?

A Greek bank is also discussing with a British University the possibility to open courses in Athens. A foreign bank in Spain has a number of agreements with schools and universities to which it offers opportunities for practical training for their students. Another one has an agreement with a university institution to train its managers.
It could also be mentioned that it is a common practice among a number of banks to send top level or promising managers to business schools with an international reputation, in the US or in Europe.

Employee participation and self development

Finally, mention should be made of the emergence of a new actor in the training process : the bank employee as a trainee. At an initial stage, there was a need to motivate employees to undertake a training ; they expected a reward in terms of salary increase or of a special allowance. In France, getting a banking diploma would entail a bonus. In Greece, training is closely related to promotion in the career ladder.

The picture tends to change nowadays. As banks are less profitable, they try to save on training and emphasize that training can be a profitable investment for the employee and his/her career, within or outside the bank, so that he/she should contribute to the cost. It is also suggested that he/she is in a better position to select a training programme suited to his/her needs and motivations.

The first aspect is illustrated by the views of the French banker mentioned above. He estimates that 92 % of these costs are borne by the employer and suggested that a larger part should be shared with the employees (by shifting some of the training time outside the workhours). This point has been raised with the unions, but without any real progress up to now, so that it is becoming a serious issue. But up to now, the French tradition has been to leave much of the initiative towards the selection of courses to the employees and their motivation, while the company is responsible for the organization and bears most of the cost.

There are signs of change in other Northern countries, particularly among British and Dutch banks. In the United Kingdom, "employees are increasignly being encouraged to take their training needs upon themselves. The banks have moved away

from a blanket provision of discreet training programmes to attempts to provide an integrated cafeteria-style system, where individuals are encouraged to identify their own training needs by consulting career manuals" (Quack et al., 1993). This is illustrated by the case study of a British bank which "emphasises the need for staff themselves to take ownership of their own learning activities. This has led to the landmark introduction of the Personal Development Programmes, initially tried on the business unit managers with some success and subsequently being made available to all staff in a slightly modified form" (Walsh, Green, in CEDEFOP, forthcoming).

A decreasing role of specialized institutions ?

As a result of these developments, the question may be asked whether the relative role of specialized bank training institutions is decreasing. As indicated earlier, different views are expressed concerning the cost of internal training and of training in a banking institute. It is increasingly difficult for this type of institutions to provide training in highly specialized areas or on products and marketing policies which banks may consider as confidential. In several countries as in the Netherlands, the banking institute delivers the basic training, leaving in commercial skills and specialist applications to the individual banks (Banking Symposium, 1993).

In the United Kingdom, "the Chartered Institute of Bankers has seen its membership fall in recent years. It has attempted to reorganize the qualifications it offers, allowing candidates to sit single specialist papers, whereas before they had to take all nine exams" (Quack et al.1993).

At the same time, these training institutions are becoming more active on the training markets. They sell their services, not only to local banks, but also in East Europe and Africa for instance. Some projects are coordinated by the European Bank Training Network, but members of this network are also active individually. Some of the banks are doing the same, especially when, because of restrictions in training, the training staff is more available. Training markets are becoming even more competitive with trainers who lost their jobs and became independent consultants, as well as some of the early retired bankers.

6.4. Objectives, contents and methods

The identification of training needs can be done following a bottom-up or a top-down approach. The bottom-up approach is usually based on an annual performance review between employees and the line manager (French presentation, Banking Symposium, 1993).

But if the needs of the individual have to be taken into account, most European banks would agree with the following statement of

the Dutch delegate to the Banking Symposium in Athens : "Banks see today training as a tool of management, strongly linked with the strategic goals of the bank. Training or education for its own sake, or for the sake of the employee as could be seen in the 1960's or 1970's is completely out" (Banking Symposium, 1993).

Changing approaches for the definition of objectives

This being said, the problem is how to translate strategic goals concerning primarily the markets and the products into training objectives and contents. Three different approaches can be identified in this respect :

a) The first one is based on human resource planning, using job analysis and projections or scenarios concerning the future, in order to organize career planning and to identify the skills to be developed. This approach is illustrated in various studies and conferences sponsored by the European Commission (Eksl, 1992 ; Human resources, 1992).

b) This is challenged to-day by the economic situation of the financial sector and by the uncertainty about the future. For the majority of banks to-day, long-range planning, career development and long-term investment in people are no longer on the agenda. For an international banker interviewed, "career planning is no longer possible in this time of uncertainty". A short-term response to specific needs, for instance on sales or computer applications is more widespread to-day. It is illustrated by the statement of an English training manager : "We want to improve people's performance in their present job, we still prepare some people for the next job, but certainly not for the following one. We hope they have left then".

c) Another way to face the uncertainty has been experimented for instance by a French regional bank. It launched a massive up-skilling programme aiming at raising the minimum level of all employees, in order to improve their ability to adjust to an unpredictable future. The focus was on general subjects and no specific occupational targets were defined. But the cost was very high, its effectiveness was debatable and there was some dissatisfaction among employees who did not see the results in terms of wages or of career opportunities.

Another regional bank indicated that it invests heavily on the re-deployment of the staff through training. It does not wait until people are jobless and it tries to anticipate a few years in advance the need for a change. Other managers also emphasize the necessity to constantly work on the identification and development of employees' competences, in order to continuously train them and thus avoid difficult re-deployments. The need for a better information on jobs and pathways is also underlined (Scheer, 1994).

Less positive experiences have also been observed during the survey. A Greek manager for instance regrets the lack of planning

and of coordination between operational and training departments, so that the latter learns that employees have already moved and their training comes too late.

Contents : a change of emphasis

If we turn to the contents of training, a distinction could be made between the following areas : basic education (expression, problem-solving), banking techniques, specific products, selling techniques and attitudes towards customers, using computers and information systems, management. Generally speaking, it could be said that the traditional approach was based essentially on banking techniques. Then, the progress of computerization requires usually a major effort, which is more focussed on information systems than on the use of computers, which are increasingly user-friendly to-day. This is now a priority in a number of Greek, Spanish or Portuguese banks, which are in a process of large-scale computerization. This stage is over in the most advanced banks to-day, but it is still very much on the agenda for the others.

The next stage would involve a focus on sales and on constantly changing products, which is very widespread now in EEC countries. Selling is a skill which can, to some extent be learned. A bank in the Netherlands for instance organises courses at all levels on "how to open a sales talk" and "how to conclude a sales contract". Sales training has taken the first place in training activities in European banks from Spain to Denmark, with the exception of the banks which recently merged or recently introduced new technology.

However, at least one bank in Denmark considers that this stage is over, because there has been some overselling in the past, resulting in bad loans, so that now more emphasis is put on evaluating customers and back on banking.

The diversification and the growing complexity of products is a serious challenge. A Belgian bank has doubled its training budget to spend it almost entirely on product knowledge. But even that may not be sufficient and, as mentioned earlier, some banks tend to split their offer between different types of employees or different branches or even subsidiaries. A different (or even opposite) approach is to consider that the large diversity of products is in fact a combination of a more limited number of basic types, so that a basic training could be sufficient to help employees to understand the common rationale of the various products.

The place of banking techniques is related to the earlier discussion of the role of the banker and of the preference for a specialized or an all-round profile. Management training is always an important component ; it was a major part of the training effort when the latter was limited and did not concern very much the less-qualified staff. It has taken a new dimension with the trend toward internalization and the training role

assigned to managers, who should receive themselves some training for assuming this role.

A recent but major concern for a number of banks is to provide the type of training which will help the re-allocation of employees and particularly the retraining of administrative staff, so that it can take up more commercial tasks. The objective is not lonly to learn, but also to change attitudes, as far as possible. A Belgian bank has created a "school of bankers" to this effect, with a combination of seminars and training periods - learning and doing. Another bank has chosen a more severe approach and believes that by steadily increasing the "pressure", attitudes will change.

These areas of training can be related to the above presentation of the roles of providers. It is for management courses that outside contributions and particularly cooperation with academic institutions are particularly require. Whereas basic courses on computers used to be organised by providers, the emphasis on information systems involves increasingly the management of the bank itself. It is even more so with regard to the relationship with customers, including the sale of products, which involve the image that the bank is trying to sell. But there are also instances of private providers training for selling techniques.

The diversification of training objectives and contents implies an attempt to offer more opportunities for individualization, taking into account as far as possible each employee's motivation, career prospects and particular need for adjustment. Individualization is now easier to achieve thanks to new teaching techniques.

Duration of courses and teaching methods

Several interviews and recent articles indicate that the dominant trend to-day is towards shorter training sessions, but also more frequent and more related to the current work situation. It is stated in the United Kigdom for instance that residential training courses are now on the decline (Banking Symposium, 1993). This can be related to the changing contents, to the higher level of education of employees (so that they require less basic training) and, last but not least, to the fact that bankers consider it the most efficient method in a period of more drastic cost control.

A different view was expressed however by the Greek delegate to the Athens Symposium : in his country, the recent trend was rather in the direction of longer seminars to offer more specialized training and to comply with the requirements of the European Social Fund.

Teaching methods are increasingly being affected by technological change, although here again there tends to be a time-lag between the potential offered by technology and its actual use (partly because of cost implications). Ten years ago, the main prospect was the development of computer-assisted training in an

interactive way. More recently, the outlook is drastically changed by the progress of multimedia and the integration between computers and telecommunication. This development may have a number of important implications :

- it will contribute to change the relationship between trainer and trainee, which may be at the same time more distant and more individudalized. "The role of the traditional lecturer will evolve into a manager of the learning process. A facilitator ;

- this should go together with a tendency to expect more personal efforts by the trainee for his self-instruction (going along with the attempt to ask a larger share of the cost from the trainees);

- this new context will require a more industrial approach of training, in order to achieve economies of scale. It will favour larger training institutions or associations, able to invest the large resources required by these systems (Fabre, Bina, 1994). To what extent is it compatible with more internalization of training ? Is there a scope for more cooperation, at least at the national level with banking institutes, or even at the European level ?

According to one of the bankers interviewed, banks in general are not very cooperative. "Each one would like to have its own system. It can be national as long as it is for preparing national diplomas. But for management, or for highly technical issues, we want to have our own course". Given the competitive context, it might be even more difficult to take action at the European level.

These prospects for the use of new techniques raise another question : they imply that in many cases trainees will have to work alone, even if they maintain a distant relationship with a trainer. To what extent is it compatible with the attempt to encourage group work ?

7.1 CONCLUSIONS

Three types of conclusions can be drawn from this study. They concern banks' strategies, employment and human resources policies at the European and national levels and academic research.

7.1 Management strategies

After a long period of continuous and rapid expansion, banks' managers and especially those in charge of human resources are now faced with the implications of an economic slowdown, of a low profitability and of a severe competition. Three issues emerge more particularly from the preceding analysis :

a) For most banks, the question to-day is not **whether** employment will decrease, but **how** : through normal attrition, more or less voluntary departures or redundancies ? It depends on the economic context, on the social conditions prevailing in the country, but also on banks' strategies. To what extent will they attempt to reconcile economic constraints with social considerations ? Will they try to limit the impact of employment cuts (for instance through the development of part-time work) or at least to achieve them at a minimum social cost ? This survey clearly shows that trade unions do not have the power to stop this process when it becomes unavoidable as a result of economic conditions, but that some countries and some firms are much more concerned than others with the need to provide assistance to the workers affected and to offer them alternative solutions

In case redundancies cannot be avoided, then there is a painful question : "What are we going to do with the veterans in the organizations : employees who joined in when things were stable...Should we let them go on the labour market, knowing that they are going to have a hard time finding another job ? Is it the responsibility of the bank to allow these people to finish their careers within the bank ?" (Eksl 1992).

b) Much depends on the possibility of an **internal re-deployment of employees**, especially those with a low skill level, from administrative to commercial jobs. A Belgian banker involved in moving administrative personnel to the branches estimates that 5 % of them cannot make it, while approximately one third keep their administrative approach also in the branches, one third has a more or less acceptable commercial behaviour and one third succeeds in becoming customer-oriented salesmen.

This is of course one opinion among others. Much depends on the choice between the variety of approaches : changing work organization, training or replacing the employees who are considered unable to adjust, on how much is expected from them and on how much the bank is willing to invest in their training.

c) Another banker considers that the greatest forthcoming challenge will be the **frustration of senior managers**. The decreasing employment level, the focus on the core business and the rationalization process all contribute to reduce employment opportunities. Ten to fifteen years ago, the bank used to recruit the brightest young graduates with promising future prospects, which can no more be realized. Expectations were high, even for cashiers, who could expect at least to have a life-long employment in a semi-administrative job. Nobody had foreseen the evolution that followed and the bank does not know how to deal with such a situation. The problem raised by high expectations of graduates is also mentioned by other bankers, for instance in Greece. It may affect other sectors, in view of the considerable expansion of higher education, while the rate of economic growth remains much lower.

7.2 Policy issues at the European and national levels

The same type of issues are also important for policy makers.

a) In a context of high and permanent unemployment, they must be concerned by the fact that financial services and especially banking are **no more a source of employment creation**, after so many years when they enjoyed a particularly high rate of growth.

The comparison mentioned above with steel industry is not valid, since there is little risk of competition from distant and low-wage countries and neither of substitution by other products. But, considering the growing pressure of competition, as well as the fact that the impact of rationalization and computerization has not yet been fully felt in all banks and in all types of activity, there is reason to believe that the decrease of employment levels will continue and that there will also be a growing pressure on salaries and social costs. Even in Southern European countries where there still is a potential for the expansion and diversification of financial activities, it may soon be offset by these factors, which are just beginning to have an impact.

The banking sector is also an example of the challenges and issues with which employment policies are faced in Europe. What would be the implications for employment of an extension of part-time work and of the duration of working hours (which would benefit customers) ? Is there a prospect of large-scale outsourcing of administrative operations in low-wage countries, which would result in a further deterioration of employment ? European policies could take these problems into consideration and include incentives to adopt measures with a positive employment impact.

b) Another set of issues, which is related to the employment aspects concerns more particularly the impact of the **Single Market**, especially on the internationalization of banking activities and on workers' mobility throughout Europe.

With regard to internationalization, it is now clear that to some extent the process was initiated before the emergence of the Single Market and was related to (or anticipating) the various measures of de-regulation adopted initially by EEC countries. European decisions had - and are likely to have in future - more of an indirect effect, to the extent that they contribute to the intensification of competition. But very much depends on the way European decisions and orientations are applied and interpreted and it would seem that in some cases at least these conditions limit international competition.

Internationalization has been achieved essentially through mergers and acquisitions on the one hand and the use of new information and communication technologies on the other. Conversely, the latest period has seen a number of banks reducing their direct foreign operations and withdrawing from abroad, closing down their branches, because these activities appeared to be costly.

In any case, workers' mobility outside their own country appears to be very limited. According to all the interviews, the emergence of the Single Market has very little impact on this situation. Slightly more mobility seems to be possible only in specialized fields which are more or less comparable from one country to the other, such as computer science. It also concerns managers who are dispatched abroad to run foreign branches, while acquiring an international experience [4]. Their status is not affected, as their contract remains with their own firm and not with their local and temporary assignment. Although a number of banks would be interested to develop a core of promising managers with an international outlook, their number remains extremely limited for two reasons : in view of the restriction of foreign activities and of the closing down of branches mentioned above, but also because many banks tend to adapt their management style to the local environment, which implies that most managers are increasingly recruited locally.

c) A third set of issues at the national and European levels concerns **training**. The question could possibly arise - and has already been discussed in the framework of the social dialogue - of whether it would be useful and possible to develop a system of initial training for the banking sector, either at the national or at the European level.

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[4] For more details, see the study on the comparability of qualifications undertaken in 1990 by CEREQ and other research institutions in five European countries for the Task Force Human Resources, Education, Training and Youth of the Brussels Commission.

According to the findings of this study, there is little justification for such a development, considering that much of the basic subjects required for bankers are also of interest for people employed in other financial firms (including insurance companies), as well as for those concerned with financial matters in other industries. Therefore, there seems to be more room for a common course in finance, while further specialization would be the responsibility of individual banks, which insist anyway to train their staff in their own way, taking into account their specific culture, methods and products. On the other hand, banks are not able to provide an adequate training in all areas and they need outside assistance.

Another limitation to the development of national and even more of European training programmes is a rather strong tradition of secret and of preference by each bank for its own ways, which reduces the opportunities for cooperation.

The best answer to these problems appears to be the development of limited forms of partnership or cooperation between firms and universities and other institutions of higher education and training, which can bring resources for the more theoretical and specialized aspects. But such cooperation is not likely to be extended to the level of secondary vocational education for two reasons. First of all, with the overall upgrading of the banking workforce, training requirements at this level are very limited to day and banks feel that they can satisfy these needs with their own resources. Second, banks in most countries are very reluctant to cooperate with the school system, which they tend to consider as exceedingly rigid and academic, as well as too remote from the realities of the working life.

In view of the need to adjust the banking personnel to constantly changing markets, products and technologies, the development of continuous training has become a high priority. But this development is now faced with financial constraints, considering the investment required to set up new programmes, particularly when they use new teaching medias. In this context, there is a justification for more cooperation between banks and for a European policy designed to promote such a cooperation. Its extension may be limited by the reluctance mentioned above and by the fear of competition. But a number of projects assisted by the FORCE programme have proven that there are opportunities for such developments on a bilateral basis, under specific conditions of market and culture.

7.3 Academic considerations

From an academic point of view, this study touches on at least two issues which are often debated :

- international comparability : to what extent is there a convergence of policies and practices as a result of common economic pressures, or a permanency of specific national

traditions, cultures and institutions, so that each country would react in a different way to these pressures ?

- skill trends : is it possible to identify a general trend towards upskilling or de-skilling of the workforce in the banking sector ?

a) With regard to international comparability, most of the earlier research has been devoted to manufacturing sectors. It emphasizes the role of institutional and cultural factors in the determination of work organization and human resources management.

The first comparative studies dealing with service industries suggested a distinction between the supply of labour, which is largely determined by demographic, institutional and cultural factors and therefore depends on national features and the demand, which is more influenced by the specific characteristics of each sector (O. Bertrand, in Gadrey, 1991). In their study of human resources in European banking, D. Annandale and H. Bertrand proposed a typology opposing Northern and Southern European countries, especially with regard to the characteristics of the workforce (supply).

Dealing with financial services, O'Reilly and Quack (1993) challenge the concept of convergence and underline the differences remaining between France, Germany and the United Kingdom.

A qualified view of the respective role of overall trends and of national features may be obtained from this study and confirms the findings of various studies dealing with specific aspects of labour markets (Carré, 1992 ; Müller, 1993 ; Rubbery, 1993). On the one hand, there is no doubt that in all European countries, the availability of new technologies and even more the universal competitive pressure necessarily have an impact on markets, products, firms' management and therefore on the range of tasks to be performed, on the skills required to perform these tasks and on human resources. There is no doubt either that the organization and structure of training, the availability of skilled workers, the institutional and cultural contexts differ considerably from one country to the other.

It is suggested that differences in the institutional context affect primarily corporate banks and have a limited impact on human resources. Consumers banks are concerned with the differences between systems of payments, but otherwise they are supposed to provide the same kind of basic services to local customers in all countries. From this point of view, it would seem that differences are not so much between countries, but rather between strategies of individual banks, which are themselves trying to meet the needs of different categories of customers (urban or rural, wealthy or low income). From the point of view of the employee, there is more similarity between local branches of savings banks in two different countries than between

this branch and a corporate bank in the capital city of the same country.

Although many references were made during the survey to national attitudes of consumers and of employees, this should not be overemphasized. Recent history suggests that differences in this respect may entail a time-lag between countries, but that in the long-run they tend to decrease.

Generally speaking, it seems difficult to question that there is some degree of convergence between European countries, especially with regard to the adaptation to markets, products and technologies and to management practices aiming at more flexibility and cost-cutting. But this does not at all mean that the differences will disappear overnight. Indeed, they are likely to remain particularly significant when it concerns institutions and their relationship with cultural traditions.

From this point of view, an important and open issue is whether and how long will remain the existing differences between national approaches of training and skill formation. The strong tradition which prevails in Northern European countries of providing a broad based education to train large numbers of all-round bankers has two positive implications : for the firm, this policy guarantees a more adaptable staff ; for the employees, it opens more opportunities for career and mobility.

To-day, it may be argued that this is too expensive and unnecessary : a pool of highly educated people (especially women) is available and banking requires a broader range of specialized skills and a little number of real bankers. From an economic point of view, it is therefore tempting to limit training to those areas which correspond to specific needs.

But moving from one policy to the other is not only a management issue. It would also have social implications at the national level, where the availability of a workforce with a broad-based training is usually considered as an asset in itself and is part of the basic agreement between social partners. It is therefore to be expected that even if there are individual initiatives to change training and recruitment practices, these changes will be limited and slow.

These considerations may help to come back to the issue of a common path of evolution for EEC countries. First of all, this survey suggests that, particularly in those countries which are comparatively lagging behind, in terms of adjustment to competition and to new technologies, there are wide differences between individual banks. Since competition is more open, and under the pressure of foreign banks, the least advanced ones are forced to move if they want to remain on the market, which implies necessarily changes in their products, their organization and their management : the administrative type of management unavoidably has to leave room for a more market-oriented one. This has more or less direct implications on skills and human resources.

b) Concerning skill trends, most of the academic debate was also initially focussed on manufacturing and has opposed "upskilling", "deskilling" and "polarization" theories. Banking has been the first service industry to receive attention : during the initial phase of computerization, research findings suggested that technology had contributed to a further intensification of Taylorian methods of organization, with more work segmentation and de-skilling. Then, with the new economic and technological context prevailing in the mid eighties, it was generally agreed that the dominant trend was in the opposite direction.

The present study is not based on sufficient field investigations to bring new elements to this type of analysis. But combining the results of interviews with a review of available literature suggests the following conclusions :

- as a result of the spread of automation, of computerization and of self-service, the relative amount of simple and reppetitive tasks to be performed by low-skilled clerks has considerably decreased. At the same time, the complexity of products and of techniques, more demanding customers and new forms of work organization are requiring more technical expertise, and higher quality of service and level of responsibility. As a whole, the dominant trend is therefore definitely in the direction of upskilling ;

- in any case, the dominant upskilling trend can hardly be assessed in terms of a rising level of educational attainment of the labour force, which is also the reflect of an increased supply of educated workers. The respective role of this supply effect, of the high unemployment context and of rising skill needs cannot be properly evaluated.

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Based on a number of studies and trends in the banking sector in addition to a series of talks at management level in banking institutions in a number of EU countries, the report makes a comparative analysis of main trends which have or are about to emerge in the banking sector, stressing factors which influence employment, qualifications and staff training in the sector as well as policies implemented by banking institutions to meet such challenges. Several key questions for decision-makers at national and European level have emerged from the analysis:

- the long-term impact for employment of the various means and strategies used to reduce manpower in a sector which previously had been instrumental in creating jobs and thus an example of the challenges faced by employment policies;
- the impact of the Single Market on the internationalization of banking activities and the mobility of workers;
- interest in and feasibility of sector-specific training at both national and European level;
- speed and means of propagating changes, the validity of the analyses made for the different countries, types of banking institutions and banking activities;
- the relative importance of international trends and specific national contexts, the degree of convergence or difference in strategies developed by EU Member States to respond to new challenges in employment and human resources, how intervention at European level affects this balance.

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